RJReynolds
Tobacco Company

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September 23, 1996

TO: ALL ROU'S
PLEASE SEND TO DIVISION MANAGERS, RETAIL MANAGERS, SALES REPS, AND RETAIL REPS WITH K-MART STORES

SUBJECT: K-MART - CID 0002-XX-XX
K-MART CONTRACT/MERCHANDISING CHANGES

Ladies and Gentlemen:

All of you are aware that Kmart's cigarette business has been on a downward trend over the last several years. While there are several reasons for this, Kmart believes that having Philip Morris on contract is one of the things they need to do to improve their overall cigarette department performance. Over the last several months they have been negotiating with PM in an attempt to reach an agreement which would allow all companies to compete within their stores.

They have reached that agreement, and we believe it will be to our advantage to continue to participate in Kmart with a Level 1 contract. This will give us brand representation, adequate inventory levels, and the ability to promote within their stores.

Beginning in early October Kmart will begin the transition to becoming a Philip Morris Masters account. All RJR fixtures will be removed. Cartons will be moved to the #2 check stand on store shelving and PM will install a pack fixture and promotional display in the majority of stores. Along with these changes, they are also making drastic reductions to their stock assortment, limiting the total number of items to between 160 and 180.

RJR will begin payment at Level 1 as stores are changed over to the PM set. However, effective January 28th, all contracts will be changed to a Level 1 payment no matter what the status of the PM installation.

Details of the change over have not been finalized, but I felt that things were proceeding too rapidly to wait any longer to let everyone know what was happening.

As information is supplied to me concerning dates, brand loads, etc., I will forward it to everyone.

Sincerely,
Jack
Jack Geeting

cc Jim Maguire
AVP's
RSM's
Dennis Bellinger

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Source: https://www.industrydocuments.ucsf.edu/docs/pmpm0000